

CITY OF SAN DIEGO
MEMORANDUM

DATE: April 26, 2006

TO: Councilmember Donna Frye

FROM: Jay M. Goldstone, Chief Financial Officer



SUBJECT: Proposed Financial Recovery Plan

This is in response to your memorandum dated April 10, 2006, Proposed Financial Recovery Plan. In this memorandum, you asked a series of questions some of which I can provide responses to at this time and some which require information from SDCERS. A copy of your memorandum was forwarded to SDCERS on April 11, 2006. On April 25th, I received an e-mail from Bob Wilson, SDCERS Acting Administrator in which he states, "A number of the questions posed would be answered in the full actuarial report. The actuary has completed the report, and is now processing it through their own quality control and peer review process. I don't have a date commitment from him on that step. But, I hope that once that's completed, we will be able to get advance answers. The actuary is definitely coming back to San Diego for the May 19 Board meeting for presentation and discussion of the full report." He is also suggesting that the City send a "formal" request for this information to SDCERS, address to the Board President. Staff will follow-up in an attempt to obtain the information you requested.

In the meantime, below are answers to some of the questions that are available to the City. In addition, I have restated those questions that we will be formally forwarding to SDCERS.

QUESTION: What is the city's total budgeted payroll for the upcoming fiscal year?

RESPONSE: The total proposed budgeted personnel expense for Fiscal Year 2007 is \$1,075,647,122 for 11,338.06 positions.

QUESTION: What is the budgeted payroll for the General Fund?

RESPONSE: The total proposed budgeted personnel expense for Fiscal Year 2007 for the General Fund is \$747,624,958 for 7,465.92 positions.

QUESTION: What is the budgeted payroll for the Enterprise Funds?

RESPONSE: The total proposed budgeted personnel expense for Fiscal Year 2007 for the Enterprise Funds is \$253,069,984 for 3,009.63 positions.

Questions that I will be formally forwarding to SDCERS are:

1. What is the amount of the ARC for Fiscal Year 2007-2008? Is it calculated using actuarial methods that comply with Inter-period Equity according to GASB and Intergenerational Equity according to California law? If not, what is the amount of the ARC calculated using actuarial methods that comply with Inter-period Equity and Intergenerational Equity?
2. What are the actuarial methods that were used to calculate the ARC? (for example, the amortization schedule, the assumed rate of return, withdrawal rates, mortality rates, etc.)
3. What is the normal cost (in dollars) used in the ARC? What is the percentage that was used to calculate the normal cost?
4. What is the amount of the payment (in dollars) used in the ARC to amortize the UAAL? What is the percentage that was used?
5. What contingent liabilities were included in the ARC? (Corbett, 13th Check, Supplemental Cost of Living Allowance, etc.) What is the cost (in dollars) of each of the contingent liabilities included? If the contingent liabilities were not included, why not?
6. What is the total amount (in dollars) of the one-year interest on the Unfunded Actuarial Accrued Liability (UAAL) used in the ARC? What number was used for the UAAL in calculating this interest payment? What number (percentage) was used for the interest?

cc: Mayor Jerry Sanders
City Council Members
Ronne Froman, Chief Operating Officer
Mary Lewis, Financial Management Director
Michael Aguirre, City Attorney
Bob Wilson, SDCERS
Andrea Tevlin, Independent Budget Analyst
John Torell, City Auditor